

September 24, 2014

Dear State of Michigan Commerce Committee:

At Wednesday's Commerce Committee you will be reviewing a draft law that proposes Tax Increment Financing (TIF) reform and will have a devastating effect on the sense of place, quality, growth and sustainability of our hometown downtowns throughout Michigan. Downtowns are the "first" placemakers, the core of our communities, the heart of our residents and small businesses.

Downtown Ferndale has come back from the depths of devastation with over a 30% vacancy rate in 2000 to 2% today because of consistent management and reinvestment from the DDA, City and private sector. Over the last decade, Downtown Ferndale has had over \$68 million in public/private reinvestment and revitalization unparalleled by other communities, most notably being recognized nationally by the National Main Street Center as a Great American Main Street in 2010 (one of five). This transformation would not have been possible without TIF and the DDA's focused management, maintenance and economic development services.

All of this would be lost with the changes proposed in the first draft of the TIF reform legislation. As the Executive Director of the Ferndale DDA for the last 14 years, and also the Secretary of the Michigan Downtown Association, we have been able to couple grassroots community involvement in the day-to-day operations of the DDA with professional management to leverage TIF revenue and provide focused economic development to achieve the highest and greatest return for our community. Combining authorities would dilute the focused attention that downtowns need.

DDAs should remain a stand-alone authority and not be a part of this TIF reform legislation. Local communities have the ability within current State law to work with authorities to achieve mutually beneficial goals and budget needs, while allowing a DDA to focus on what it does best – downtown management and economic development. Ferndale is a prime example of how this works well, and we have had a strong partnership since the DDAs inception.

In reviewing the first draft of legislation, there are many items that are cause for concern:

- Fund Restrictions
 - Restricts expenditures to capital improvements, no operational costs—this in particular would be catastrophic. Our top resources and services are management, maintenance and marketing—this is what makes our downtown and many others shine. It is the management who implements the infrastructure and redevelopment opportunities, maintenance and marketing, and raises additional funds for marketing and infrastructure needs. At this level, the Ferndale DDA would not be able to maintain the downtown nor retain qualified professionals. The Ferndale DDA's

operational and maintenance costs are over 60% of its budget annually, not including administration.

- Page 68 (6) not only restricts expenditures to infrastructure, redevelopment and public facilities; it also restricts it to “SHALL NOT be used for repair, maintenance or operation of a public facility”. So if you build it, you SHALL NOT maintain it, and someone else would have to. The City of Ferndale and DDA have always worked on the premise that if the DDA invests in an infrastructure in the TIF area that the DDA would do its utmost to maintain that infrastructure so it does not become an additional burden on the City. In addition to this, some of the exceptions to the rule in this legislation are unreasonable (ie: item (c)).
- Unused TIF reserves flow back to taxing authorities after five years—this is fiscally unsound. Our City’s Finance Director and audits consistently recommend a minimum of 20% be held in reserves annually regardless of a project.
- Board Make-Up & Effective Functionality
 - Page 32 of Draft 1 - Language is confusing regarding appointments to Board. It was unclear as to whether only one Board member from each taxing authority or one Board member one of the taxing authorities shall be appointed. Depending on which it is, this dynamic could severely disrupt the effectiveness of a Board.
 - Other taxing authority appointments to Board will diminish the local focus and the likelihood of that Board member’s activity being minimal and inactive is a concern since DDAs have worked hard to create active Board members who contribute easily 5-10 hours per month to the organization.
 - Corridor Improvement Authorities (CIA) currently have the ability to cross municipal borders to achieve an economic goal along a commercial corridor, which was a good step to allowing for regional or multi-jurisdictional efforts; but with this legislation, it would also include CIA to be consolidated into one municipal authority, removing the regionalism and ability for communities to work together towards a goal, such as transit. Since all authorities would be required to consolidate by 2018, it is unclear as to how this would specifically work for CIAs since they do cross boundaries.
- Gainsharing & Special Assessments
 - Page 72/73—It is unclear on this item as to whether all current TIF revenue would be subject to gainsharing, not from a starting point of 2015, but from the origin of TIF. Cities, DDAs and other taxing authorities are all operating with significantly less funding due to values dropping statewide and PPT elimination. In Ferndale, the DDA is already facing a 20% reduction in revenue due to PPT elimination this year; and gainsharing on an already reduced budget will make redevelopment and economic investments even that more challenging. Small communities will gainshare disproportionally based on this draft language, when every dollar is needed to effect redevelopment in an area. What will these other taxing authorities add to a municipality or development for their gainshare—will they actually try to effect change or be inactive? We also believe some authorities may want to continue to invest in an area through TIF and have the ability to opt out of gain sharing or allow for flexibility in gainshare amounts. An amount should

be at the discretion of negotiations between the municipality and taxing authorities, with a cap of not to exceed, because each community is different.

- While the proposed legislation would allow authorities to assess additional special assessments which is appreciated, this could also put more of the burden on local businesses to support a budget that is being stretched by gainsharing. In a State where reducing business tax burden seems to be a priority, this seems to be contradictory in measure.
- PPT Reimbursement
 - While transparency reporting is not the problem for the Ferndale DDA since we already do a majority of what is listed in the proposed legislation, holding back PPT reimbursements is not acceptable. Many small communities do not have the same capabilities as we do in terms of report generation and posting, and will require additional staffing/management in order to do so which may not be within their administrative capacity.

There are still other items that we have concerns within this proposed legislation, and because of this feel that there is still significant amount of work that needs to go into this legislation. I have always found that when changing legislation, that you need to evaluate the application of it across many sectors prior to adoption, and this has not been done.

TIF is a vital tool to economic development, and one that is still critically needed today and into our future. Please do not change what IS working! If you have any further questions or would like to involve a practical analysis of the implementation of any additional drafts, please feel free to contact me at 248-546-1632.

Sincerely,

A handwritten signature in cursive script, appearing to read "Cristina Sheppard-Decius".

Cristina Sheppard-Decius, CMSM
Ferndale DDA Executive Director

